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[The Availability of Funds for Child Care Service Programs in Maryland]. HRD-77-127; B-164031(3). August 9, 1977. 5 pp.

Report to Rep. Marjorie S. Holt; Sen. Paul S. Sarbanes; by Gregory J. Ahart, Director, Human Resources Div.

Issue Area: Income Security Programs: Program Monitoring and Administration (1303).

Contact: Human Resources Div.

Budget Function: Education, Manpower, and Social Services: Social Services (506).

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: Rep. Marjorie S. Holt; Sen. Paul S. Sarbanes.

Authority: Social Security Act, title XX, as amended (P.L. 94-401; 90 Stat. 1215; 42 U.S.C. 1397).

Public Law 94-401 authorized additional funding for child care services and for grants to hire welfare recipients in jobs related to child day care services. Forty million dollars were provided for the transitional quarter (July through September 1976) and \$200 million for fiscal year 1977.

Findings/Conclusions: Maryland's maximum allotment of the Federal funds was \$776,000 for the transition quarter and \$3.8 million for the fiscal year. A memorandum was sent to all States administering programs under title XX of the Social Security Act shortly after passage of Public Law 94-401 analyzing the provisions and requirements of the new law and listing each State's maximum allotment of Federal funds for child day care services for the transition quarter and for fiscal year 1977. A month later, the Department of Health, Education, and Welfare (HEW) sent State title XX administrators instructions for meeting the reporting requirements of the law. Maryland officials said that, although they had received adequate interim reporting instructions, the State hesitated to implement the provisions of the new law because final regulations had not been published by HEW. Maryland was not eligible for any of the additional funds during the transitional quarter, but did receive funds under the new law for the first quarter of fiscal year 1977. (SC)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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HUMAN RESOURCES
DIVISION

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B-164031(3)

The Honorable Paul S. Sarbanes, United States Senate
The Honorable Marjorie S. Holt, House of Representatives

In your letters of October 20 and October 26, 1976, you asked that we investigate the availability of funding to Maryland for child day care service programs under Public Law 94-401 (90 Stat. 1215). Your requests were in response to an October 15 letter to us from Ms. Marjorie K. Smith, President, Maryland Committee for the Day Care of Children, Inc., a copy of which she sent to your offices. Ms. Smith's letter stated that the Department of Health, Education, and Welfare (HEW) had not established a procedure under which States could claim funds provided by the legislation. As requested by your offices, we are reporting the results of our review of this matter.

Public Law 94-401, signed by the President on September 7, 1976, amended title XX of the Social Security Act (42 U.S.C. 1397 and 1397a) under which States and localities receive financial assistance for delivering services to individuals and families to promote their self-sufficiency. As a result, grants are awarded to States within two ceiling allocations under title XX. In the basic program there is a \$2.5 billion ceiling under which the Government can match funds to States which furnish social services directed at the title's established goals. These services may include, but are not limited to, protective services for children and adults, services related to managing and maintaining the home, counseling services, and child care services.

In addition to the basic program, Public Law 94-401 authorized an additional \$240 million earmarked for title XX child day care services and for grants to hire welfare recipients in jobs related to child day care services. Forty million dollars was provided for the transitional quarter (July-Sept. 1976) and \$200 million for fiscal year

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1977. Maryland's maximum allotment of the Federal funds was \$776,000 for the transition quarter and \$3.8 million for fiscal year 1977.

We focused our review on determining what HEW had done to notify the States of the availability of the increased funding provided by Public Law 94-401, the criteria for applying for these additional funds, and the extent to which these funds have been provided. We reviewed information that HEW provided to the States concerning the legislation as well as HEW's instructions for claiming the funds. We also discussed this matter with HEW headquarters and regional office officials and Maryland State agency personnel.

States were notified that increased funding was available and were given information on eligibility requirements and financial reporting procedures necessary to claim allowable expenditures. Further, several States have received additional funds provided by the new legislation.

HEW NOTIFIED STATES THAT
FUNDS WERE AVAILABLE

Before enactment of Public Law 94-401, HEW regional offices were kept informed on the status of the legislation and proposed provisions through discussions with and information forwarded by HEW headquarters. On August 18, 1976, the Acting Commissioner, Public Services Administration, Social and Rehabilitation Service (SRS) ^{1/} wrote the SRS regional commissioners that the Senate was expected to act shortly on the legislation passed by the House on June 30, 1976, but that there was little chance that the bill would become law before September. The HEW regional offices were advised to notify the States of the bill's imminent passage and to make plans for using the child day care funds.

On August 24 the Senate approved the bill. HEW headquarters and regional officials met on August 26 and 27 to discuss their strategy for implementing the legislation. The bill was signed by the President on September 7.

^{1/}On March 8, 1977, the Secretary of HEW announced a reorganization. The Social and Rehabilitation Service was abolished as of that date and responsibility for the social services program was assigned to the Office of Human Development.

On September 10, SRS sent a memorandum to all States administering title XX programs. This memorandum analyzed the provisions and requirements of the new law and listed each State's maximum allotment of Federal funds for child day care services for the transition quarter and for fiscal year 1977. In October 1976, SRS forwarded transmittals to State title XX administrators with instructions for meeting reporting requirements.

We met with Maryland Department of Human Resources officials to determine whether HEW had informed them of the additional funds that were available, the eligibility criteria to be met to receive the funds, and the procedure for claiming reimbursements. Maryland officials acknowledged receipt of all written instructions sent to State agencies by HEW and said that such instructions, along with informal communication with HEW regional staff, were sufficient to claim reimbursement for the State's expenditures.

Maryland officials said that, although they had received adequate interim reporting instructions, the State hesitated in implementing provisions of the new law because final regulations had not been published by HEW. They said that interim instructions are often subject to numerous revisions and there could be a different interpretation of the law before final regulations are published. Final regulations were published in the Federal Register on December 21, 1976.

BASIS FOR CLAIMING FUNDS

Under the annual \$2.5 billion ceiling for title XX expenditures, each State receives a maximum allotment in proportion to its percentage of the national population. When a State reaches its ceiling, the State must pay for any additional expenses. Grants are awarded to States based on matching rates of 75 percent for all eligible social services, except family planning services which are matched at 90 percent. Child day care is considered an eligible service and the Government reimburses the States for allowable child day care service expenditures at a 75-percent matching rate.

As explained in SRS' September 10 memorandum to the States, Public Law 94-401 increased the title XX funding limitation by \$40 million for the transition quarter and \$200 million for fiscal year 1977. The additional funds are available to the States for these periods in an amount

equal to the lesser of (1) a State's maximum allotment or (2) the Federal share of a State's expenditures for its child day care program. The new law provides matching rates of 75 percent for child day care service expenses in the transition quarter and 100 percent for grants to qualified child day care facilities for hiring eligible welfare recipients beginning September 7, 1976. In fiscal year 1977 the 100-percent matching rate applies to both child day care services and grants for hiring welfare recipients.

The SRS memorandum also stated that child day care service expenditures which exceed a State's maximum allotment under Public Law 94-401 could be included with other social service costs and claimed under the basic title XX allotment. However, only the funds provided by the new legislation may be used to award grants to States for employing welfare recipients in child day care facilities.

In the transition quarter, all States were not necessarily eligible to receive additional funding for child day care service expenditures. Because the 75-percent matching rate for such expenditures was the same as that provided for under the basic title XX funding, a State's expenses had to exceed the basic title XX ceiling before it could receive any additional funding.

Accordingly, even though Maryland's allotment under Public Law 94-401 was \$776,000 for the transition quarter, to be eligible for these additional funds it would have had to incur social service expenditures in excess of its basic title XX ceiling. The \$776,000 allotment is the maximum amount Maryland could have received under the new legislation, and this amount would have increased the maximum allotment available under title XX for that quarter from \$12,125,000 to \$12,901,000.

We reviewed expenditure reports submitted by States for the transitional quarter and first quarter of fiscal year 1977. We also contacted HEW regional officials to determine how many States reported expenditures under Public Law 94-401 and received funding. Information for the first quarter was generally not available until April 1977.

Maryland did not exceed its basic title XX ceiling for the transition quarter, nor did it award any grants to employ welfare recipients in child day care facilities.

Therefore, the State did not receive any of the additional funds made available under Public Law 94-401. Had Maryland spent money in excess of its title XX allotment limit, it could have been eligible to receive additional funding. For the first quarter of fiscal year 1977, Maryland's total claim, submitted for reimbursement under Public Law 94-401, was allowed by HEW at the 100-percent Federal matching rate.

HEW approved funding under Public Law 94-401 for nine States which had exceeded their basic title XX allotment ceiling and submitted claims for their transition quarter expenditures. Funding for 21 States has been approved by HEW for expenditures claimed during the first quarter of fiscal year 1977. HEW officials said that most States plan to use their increased allotments during fiscal year 1977.

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In summary, the States were notified of the availability of increased funding provided under Public Law 94-401 and the criteria for applying for these funds. Also, some States received Federal funds for claims reported as child day care expenditures for the transition quarter, which demonstrates that procedures to claim allowable expenditures did exist.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.


Gregory J. Ahart
Director